

**OPENING STATEMENT OF
CHAIRMAN PAUL E. KANJORSKI
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,
AND GOVERNMENT SPONSORED ENTERPRISES
SUBCOMMITTEE HEARING ON EXAMINING PROPOSALS ON
INSURANCE REGULATORY REFORM
APRIL 16, 2008**

Good afternoon. We meet today to examine proposals on insurance regulatory reform. Today's hearing is the third in our Subcommittee's series on these matters. I would like to thank Ranking Member Pryce for again joining me in inviting today's witnesses.

At our hearings last fall, we heard about the need for reform from key participants of the insurance industry, consumer groups, regulators, and legislators. Today, we will turn to consider specific proposals to solve some of the problems that we learned about at those prior hearings. I firmly believe that the Congress should take some action on insurance regulation.

Our first panel today features a spokesperson of the state regulators and a representative from the would-be federal regulator of insurance. Superintendent Eric Dinallo will discuss the most recent plans of the National Association of Insurance Commissioners for modernizing insurance regulation. Assistant Secretary David Nason will review the insurance reform proposals contained in the Treasury Department's "Blueprint for a Modernized Financial Regulatory Structure."

This Blueprint is an important discussion document for us to consider. It makes a number of short-term and long-term recommendations, some of which I like and some of which concern me. The Blueprint's ideas on changing insurance regulation, however, merit our careful attention. I am especially pleased that the Treasury Department recommends the creation of an Office of Insurance Oversight, an idea that I have discussed for a number of years and incorporated into the Financial Services Committee's oversight plan for the 110th Congress.

Shortly after September 11, it became very clear to me that the federal government lacks the expertise it needs on insurance policy. Our experiences after Hurricane Katrina and the ongoing problems in the bond insurance marketplace have only reinforced my views.

Moreover, a simple online search of the term "insurance" using the Legislative Information System yields 87 bills introduced this Congress and referred to the Financial Services Committee. Regardless of whether or not the federal government directly regulates insurance, we must educate ourselves on insurance policy and build a knowledge base in the federal government on these matters.

Therefore, tomorrow I will introduce legislation to establish an Office of Insurance Information within the Treasury Department. This legislation builds upon my ideas and includes the functions envisioned in the Blueprint for this office. I look forward to a substantive debate on this proposal in the weeks ahead.

On today's second panel, each witness will discuss one option for insurance regulatory reform, its merits, and what problems the solution seeks to solve. As part of the ground rules for

today's proceedings, I have asked everyone to refrain from criticizing another proposal in his or her written and oral testimony.

The reasons for this request are two-fold: First, insurance is a complicated issue. Direct testimony about one proposal at a time should help us to understand each of them better. Second, I do not view these reforms as mutually exclusive of one another. We will likely work cooperatively on many of them moving forward. For example, we could ultimately consider my legislation on forming an Office of Insurance Information in conjunction with a bill to streamline agent and broker licensing.

As we proceed today, the Members of the Capital Markets Subcommittee should remain open to considering all reform ideas. The *status quo* on insurance regulation, however, no longer works. We live in an increasingly global marketplace, and insurance policy must keep pace. We have lost many manufacturing jobs overseas. We must ensure that jobs in the insurance industry do not suffer a similar fate.

We must move swiftly, but we also need to be smart about it. We will need the help of experts from the states, and I urge those here today to work cooperatively with us.
